

LEONARD, Jr.

The Merchant Marines of
the United States, England,
France, and Japan 1900-1912

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THE MERCHANT MARINES OF THE UNITED STATES, ENGLAND,
FRANCE, AND JAPAN 1900-1912

BY

FRANK BONNER LEONARD, JR.

THESIS

FOR THE

DEGREE OF BACHELOR OF ARTS

COLLEGE OF LITERATURE AND ARTS

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MERCHANT MARINES OF UNITED STATES, ENGLAND, FRANCE AND JAPAN.

INTRODUCTION

The American traveller from the United States in Europe or in South America today is noted because of his pride in his country and everything American, and it is often a grievous blow to that pride to note, as he gazes on the forest of masts and the many flags that fly over the ships in the ports of these countries, the absence of the stars and stripes. And this is true not only of Europe, but also of the great American ports of New York, Philadelphia or Boston.

So strong has grown the feeling on this subject that both houses of Congress have had since 1904 a merchant marine commission investigating conditions and advising as to what may be done to rebuild our foreign merchant marine.

It has been generally agreed that if this is done at once, government aid must be invoked, and in this connection that "obnoxious" word "subsidy" is most often used. In order to make clear the meaning of some of the common terms that will crop up all through a discussion of this kind, it may be well to define a few of them.

A subsidy is any form of government aid given to ship building or ship operating interests.

A postal subvention is money paid to a ship company partly for services rendered in carrying the mails, partly for speed or other conditions, and partly as pure subsidy or aid.

A naval or admiralty subvention is a sum of money paid by the government to ship owners in return for building and maintaining ships so as to make them available for war uses and

giving the government a right to their services in time of war.

Fisheries bounties are paid either on the number and tonnage of boats built or on the poundage of fish caught.

Shipbuilding or construction bounties are bounties paid to shipbuilding firms to encourage the construction of ships and the maintenance of adequate facilities for repair.

A subsidy is never a payment for direct service rendered, but is always a gift from the government to stimulate trade or to aid in the national defense.

It will be seen, though, that whether we call it subsidy, bounty or subvention, it is not a mere gift of money which is paid by the people of a nation out of the goodness of their hearts, but a sum of money expended with the expectation of gaining ultimately, benefits which outweigh the cost, often intangible benefits that cannot be computed in dollars and cents, such as prestige on the seas, stimulation of patriotism etc.

With these definitions disposed of, we can pass to the main discussion of the problem before us in the United States. Then we will take up the history of the merchant marines in England, France and Japan, three nations who have tried some forms of subsidy with varying and differing success. Then we will try to compare the United States with these countries in the upbuilding of a merchant marine in view, and see what conclusions we can draw from their experience.

CHAPTER I.

EARLY HISTORY AND PRESENT CONDITIONS

A country, lying along the shores of the ocean, with harbor plentiful and secure, peopled by a race that came originally from the bold Northmen and the hardy Saxon pirates, affords every inducement to the belief that its people will be a maritime people. And in the early colonial, and later in the first period of our national life, the American people did not disappoint this belief.

Almost from the beginning ships were built from the ample forests growing almost at the ocean's edge, the seams were stopped with pitch from the Carolinas and the sails were made by the diligent wives of the New Englanders. Whale fishing, smuggling, the slave trade and piracy were a few of the minor fields before the Revolution. Then came the daring exploits of John Paul Jones, and later the glorious victories of the War of 1812, achieved by a navy that was made after the models of merchant vessels. The rich harvest of the seas reaped amid the difficulties created by both of the contestants in the Napoleonic Wars are familiar to all. Until 1840 American ship builders were the best in the world and our sailing clippers held the speed records of the time. No seamen were so efficient as ours, so that while the wage paid American crews was far higher than the wage of European seamen, the cost of operating a vessel was much diminished by the fact that it required fewer hands to man a ship.

But in 1840 came the steam engine and the first practicable

attempts at steam navigation on the ocean. Steel commenced to supplant wood in the hulls of the ships. England saw the opportunity and specialized in the new kind of ships. The Yankee ship builders obstinately clung to their old wooden models, partly because they did not have iron and steel to adapt themselves to the new conditions. The hulls were constructed with the greatest care and all the speed obtainable in a sailing vessel was surely attained by them. The fact that our tonnage increased against the adverse competition of the new type until in 1861 it stood at 2,496,894, the largest in the history of the country, is the most eloquent proof of the efficiency of our ship builders. But let us remember that this high mark was attained in the old type of ships and that these figures refer to foreign commerce, not our coastwise trade.

The great Civil War left our magnificent merchant fleet a sad shadow of its former glory. The confederate cruisers like the "Alabama" had destroyed many of them. The shipyards had been ~~idle~~ so far as merchant vessel building was concerned, owing to the risk that this class of vessels assumed on the seas, and because they were kept busy in naval repairs to maintain the blockade of the South, and partly because of lack of labor.

Moreover the country emerged from the war struggling beneath the burden ^{of} a tremendous war debt and the knotty problems of reconstruction. While England was paying subsidies and aiding in every way her merchant marine, it seemed unwise to ask our government, staggering under an enormous debt to encourage this branch of commerce.

Moreover the fertile prairies and vast, almost unexplored wilds of the West really stood in greater need of government encouragement than our ships. Railways were needed sorely to bring golden grain to the eastern markets, and in the great surge westward to take freely of the treasures of a rich soil, attention was turned away from ship building. The merchant marine steadily declined until in 1898 the tonnage was only 726,213, and most of that was in sailing vessels. The Spanish War demanded that we buy some ships for colliers etc., and at the close of the war these were, in many instances, converted and sold as merchantmen, so that in 1905, our tonnage had rose to 954,513.

The figures quoted so far refer to our foreign merchant marine. The progress of our coastwise and inland water marine has been steadily upward until in 1908 it stood at 4,055,295.¹ We have traced briefly the rise and decline of the merchant marine, let us now consider some of the attempts to check the decline through government help.

With the advent of steam and iron in ship building and with the ocean peace following the long sea battles of the Napoleonic Wars, came the transition from private to public carriers. That is, instead of having private owned ships which sailed wherever they were chartered for, we find regular lines of ships plying between certain parts on a relatively fixed schedule. In 1840 the Cunard Line sent out the "Brittania", a wooden paddle wheel steamer from Liverpool to Boston. They received \$15,000 a voyage from the English government.² The Inman Line, ten years

1. Spears American Merchant Marine 298.

2. Smith-Ocean Carrier

later followed the Cunard Line. In that year the first American steam line, the Collins Line, was established. He received \$850,000 a year in subsidies to meet the English subsidies, but an unparalleled series of unforeseen disasters destroyed the best ships of the line, and intimations of improper influence in Congress led to the abandonment of the subsidy in 1858.¹

Other owners asked for subsidies, and when they tried to run steam lines without them they either failed or were compelled to merge with the European companies. The few American sailing packet lines held on for a while but steam competition had sealed their doom. The North German Lloyd, the White Star Line and other foreign lines operating under subsidies, used steam for propulsion.

Meanwhile the chartered steam ship traffic was rising slowly. The fast Yankee clippers survived in the tramp steamer trade much longer than in the packet trade. But in this line, even when there was a regular demand for a certain commodity from a certain country, such as tea from China or bananas from the Bahamas, regular freight lines sprang up. In 1855, for the first time, the Yankee tea clipper was beaten to London by an English steam tramp.² While foreign countries generally did not subsidize these steam tramps, the inability of our ship builders to utilize steel and iron would not let us follow their example until it was too late, when our sailers, efficient in handling halliards and spars, were at a disadvantage in stoking furnaces, and when ship builders had waited until they had to compete with a settled business of foreign

1. Smith-126

2. *ibid* 123

steamship builders.

And so the number of ships declined with a rapidity that was only succeeded by our relative decline in the carrying trade of the world. A few feeble efforts in the way of resolutions were made in the form of subsidies between 1870 and 1890, but Congress turned an indifferent ear to such projects. But in 1891 the government again took cognizance of the fact that our foreign merchant marine was almost nothing. England, Germany and France were paying large mail subsidies to all their mail carrying lines. So a bill was drafted to give bounties to the general marine but failed on a vote in the House.¹ Finally on November 3, 1891 a postal aid law was passed which is in force today. It is the product of a close paring process of the House of Representatives and provides rather meagre protection against larger foreign subsidies.²

There are four classes of ships, based on tonnages of 8,000, 5,000, 2,000 and 1,000 and on speeds of 20, 16, 14 and 12 knots an hour. Only the fourth class can be wooden ships.

But the subsidies were so small for the first two classes that that it did not pay to build vessels for them, and the Pacific Mail Line Company and the Red D Line with their third class ships were the only ones to avail themselves of it. The line to Brazil had to go out of business because of the severe competition encountered.

In 1892, however, two British built ships of the Inman Line, owned by Americans, desired American registry and this was granted them on condition that two more vessels were

1. Bates-American Navigation-347

2. Marvin-American Merchant Marine 415-417

built in this country. These four vessels are the only ones which have come under the first class of the postal aid law of 1891. Under this law, the officers must be American citizens, as well as a certain portion of the crew and must be available for war purposes. The reader will find the story of the aid rendered our navy in the Spanish War told most eloquently in Marvin's "American Merchant Marine."

At the present time then the United States does have a system of subsidies to mail ships only, of a certain size and speed. It is generally conceded that these subsidies are too small to encourage much ship building in this country, especially as the high seas swarm today with foreign competitors. At the best the subsidy only aids line ships and not tramps. The further need of encouragement has been considered in the attempted passage of the bill prepared by Senator Frye in 1905-06. It provides for aid to mailships under the present law, but with an increase of amount.

In addition \$5 a ton was to be paid for deep sea vessels of the tramp style. These bills will be criticized later. In 1908 the clause relating to freighting ships and bounties was omitted, but the increase in pay of mailships and the establishment of more lines was provided for. Both of these bills failed of passage and today the merchant marine commission is working on another. The original merchant marine commission of 1904 was composed of five senators and five representatives who took testimony in all the principal maritime towns from ship owners, ship builders and miscellaneous nautical people. Their findings are embodied in a two volume report to the

House of Representatives.

As we take a last look at the merchant marine from the purely historical side, we are struck with its brilliant rise and its sad decline. In the next chapter we will take up the question of the desirability of rebuilding and reestablishing something like our old time prestige on the seas.

CHAPTER II.

NEED OF A MERCHANT MARINE

Since 1900, the date which marks the advance of American manufactures into foreign markets, many reports from our consuls have drifted in showing the desirability of a merchant marine flying the American flag and establishing direct and regular connection between the United States and South America and the Orient.

But it was in 1904-05, when Secretary of State Root made his tour through South America that the possibilities of a vast opening up of commerce to us were disclosed. From his extended and intelligent observation, Root indicated seven great basic matters which Americans must attend to, to secure a foothold in the markets there. The seventh and most important is "It is absolutely essential that means of communication between the two countries should be improved and increased."¹ Germany, England, Norway, France, Japan, and other foreign countries have many vessels each year entering the ports of Rio Janeiro and Buenos Ayres, while in 1905, four little sailing vessels, two of them in distress, were the only American ships.² But it is not a mere sentimental difference of the flag. These foreign vessels belong to swift lines that ply regularly between their mother countries and South America. There is not a single regular line from New York to any port of South America, south of the Carribean Sea.³ A number of slow, unreliable tramp steamers, under foreign flags, carry goods directly from the United States to this rich market. The

1. Senate Document 1907-08 #225 p 15.

2. *ibid* p 18.

3. *ibid* p 20.

mails and more valuable cargoes are almost invariably shipped to Europe and then back to South America, largely in foreign ships subsidized directly or indirectly by their governments. This makes it far more sure for the merchant of South America to order from the German or English houses who, in the first place can get the mail requesting shipment more quickly and then can get the goods to him promptly. If the New York merchant relies on the tramp, it will be a slow and uncertain voyage.

The United States has direct mail lines under the Act of 1891 to Mexico and the West Indies. We send fifty per cent of the imports of these countries.¹ To South America, with a population of similar needs we sent fourteen per cent of ~~the~~ imports in 1910 and this percentage is decreasing relatively.² With the opening of the Panama Canal the west coast of South America will be many miles nearer New York and Philadelphia than London or Bremen.

As regards the present situation, John Barret, now minister to Panama and formerly minister at Argentina, said in 1904, "The business men of Buenos Ayres can write to Europe and receive a reply in fifty days. It is very seldom that they can communicate with New York and Chicago and get an answer in less than eighty days."³ Hutchinson, special agent to Uruguay says, "There is no direct passenger service from United States to Chile on the River Platte The passenger service from the United States is greatly inferior in all respects to that from Europe, and the American people have little inducement to

1. Senate Document 1907-08 p 19

2. *ibid*

3. *ibid*

visit and get personally acquainted with commercial and industrial conditions in these South American countries."¹

A. J. Sampson, American minister to Quito says, " I was informed by a prominent merchant here that freight rates were fivefold greater from New York to Guayaquil than from Hamburg to the same place."² As has been often pointed out, it is only to be expected that subsidized and other foreign lines will use their influence to throw trade to their respective countries.

Moreover a number of thinking men seem to believe that there is some magic about the particular flag which flies over the ship, that the ship acts as a sort of advertising medium. The Trans-Mississippi Congress in 1903 passed a resolution "That every ship is a missionary of trade."

There remains one more point at least to be disposed of. It is often pointed out that our foreign export trade has increased by leaps and bounds. On December 9, 1911 President Taft pointed out that we had just gone through a year of unprecedented increase in foreign trade. This condition would seem to indicate that there is no cause for alarm and that any money spent to revive a merchant marine would be a needless expense. The manufacturers allege that the number, or at least the size and volume, of manufacturing plants is on the same increase. It is a question of a few years at most until we must enter that life and death competition in which England and Germany are engaged now.³ Many of the great industries

1. Senate Document 60th Session #225 p 69.

2. ibid p 70.

3. ibid 1907-08 #225 p 19.

of the country are tending to over-production, and relieving the situation by selling at prices even below cost. These merchants will seek foreign markets with increasing vehemence in the years to come and if, as so many point out, a carrying fleet of merchantmen will be almost a necessity, some expense may be justified.

Japan and England have most of the trade with China and the Orient. Both countries have subsidized lines running from Vancouver to Japan and the West. The Oceanic Company, an American corporation which carried mails under the Act of 1891, went out of business in 1907, and thus stopped regular direct connection with Australia and New Zealand.

The Chinese are opening up more and more as a nation and changing their standards of living. There is every reason to believe that it will yet become one of the greatest competitive markets.

The Philippines and Hawaii are covered by the coasting trade restrictions,¹ but as yet no regular lines have been established, even under the extreme protection of the law. It is easy to believe that if a merchant marine would not do all that its admirers claim for it, it would at least be a strong help in the extension of our shipping and markets.

As Mr. Johnson points out,² there are two great arguments for government aid to a merchant marine, commercial and economic arguments and naval and military arguments. We have touched on a number of the commercial and economic aspects of the need of a merchant marine, let us now consider what naval

1. Navigation Laws of United States 1907 p 238,244.

2. Johnson, Ocean and Inland Transportation, 317.

and military arguments can be adduced for it. The navy of the United States, consisting of dreadnaughts, battleships and cruisers, is not all of the fighting complement by any means. Without coal, these grim monsters would be like the proverbial dragon with his teeth drawn.¹ Colliers then are prime essentials to a strong navy. In times of peace the warships can coal at the home ports or in foreign ports, but in time of war, it is essential that each warship shall have a collier which can keep up with it and, as foreign ports are closed to belligerents in time of war, these colliers must be fast, strong seaworthy vessels. A strong subsidized merchant marine, built under specifications approved by the navy department furnishes just this kind of ship. Germany and England depend on their merchant marines for this service. In 1905 when our battleship fleet steamed around the world, American colliers could not be procured, so they were forced to hire vessels flying a foreign flag. The naval board, in the report submitted in 1905 by Admiral Dewey, stated that they were much hampered in the Spanish War by the slowness of the colliers, and against a more active and vigorous foe, this cumbersomeness might have proved fatal to success.

But colliers are not the only branch to be considered. On page 32 of the report of the Merchant Marine Commission will be found a long list of the types of auxiliary vessels that are absolutely essential to the needs of modern warfare. "Eight twenty knot scout ships" heads the list, vessels that must be fleet enough to outrace the fastest battleships.

1. This field is covered in Senate Document 1907-08 #225 p 30-47.

Ammunition ships, hospital ships etc. suggest other needs. Today we have eleven large ships in the foreign trade flying the American flag which would be suitable for this purpose. We need over a hundred to give us any parity with England and Germany. The advantage of a merchant marine for this purpose lies in the fact that it can be used in times of peace to carry our commerce and thus they are kept profitably and economically employed instead of waiting in idleness for war to commence. Then in the event of war, when they would be subject to seizure, they can aid the government navy to the best advantage. It is quite a classic argument that since we are spending \$140,000,000 a year to make our navy strong, we might spend from three to ten millions to make our battleship fleet efficient like those of other strong naval powers.

Since the United States has acquired insular possessions, their defense from the military point of view depends largely on the chances for quick transportation of troops. Ships should be of sufficient size to carry an entire battalion of troops with accoutrements, and a ship of this size is found only in the large merchant vessels of the deep sea type, rather than those of the type found on the Great Lakes on in the coastwise trade. It has only been since the Spanish War that the troop transport problem has arisen, but it is a problem which must be solved if we are to be a world power from the military and naval standpoint.

We have considered then so far the need of a merchant marine in relation to foreign shipping and commerce and in

relation to the navy and army. We shall next take up the need with relation to the general economic development of the country.

The well salted old argument arises again and again to confront us, that we are allowing \$200,000,000 a year in freight to go to foreign shipowners which would be saved if we built our own ships and carried our own goods. But the answer to this contention is that this large sum of money is only the value of part of the profits of these countries which have an enormous capital invested in ships to produce it. In the United States we have put our capital into railroads and western improvements which pay a higher return on capital than shipbuilding and operating in Europe. The same Solons of wisdom point out to us that immense bands of laborers would be put to work in our shipyards, but they must show, to establish their point, that these laborers are not being taken away from more productive industries than shipbuilding. The scope of this work does not permit me to go into a detailed history of shipbuilding in the United States. The facts in brief are that shipbuilding has been slightly on the increase since 1900, owing to the demand for lake vessels and ships for our coastwise trade. But since 1905 not one keel has been laid in American yards of vessels designed for the foreign trade. The reason is simply, that we cannot compete with the Scotch and German shipyards. The government aid given to shipbuilding in these countries, which will be discussed later, is one factor. But the three other factors are more potent.

1. It is claimed that materials can be purchased more cheaply in England and Germany than in the United States. The dumping of the American surplus steel products in consequence of the tariff may make steel sell at a price even below cost in Belfast while a high rate is maintained at home. This would seem to be met by the law which allows materials to be admitted free of duty. It would seem that the American shipbuilder could purchase steel in foreign markets and import it. But the reason this is not done is, first, because of a further provision of the navigation laws, which prohibits vessels constructed of foreign materials from competing in the coastwise trade for more than two months a year, and secondly, the facts that the plates are often injured in transit from Europe to United States. Then the fluctuation of the steel market in a country with a tariff wall makes the construction of vessels in competition with English construction under a more stable market, more hazardous.

2. Labor costs are higher in this country. It is often averred that a ship is nothing but a combination of bridge and locomotive, and since we construct these more cheaply than any other nation on earth, there is no reason why we cannot build ships more cheaply with our more efficient, if better paid, workmen. Higher wages are due in part to the high tariff wall which is only one of the many factors in the complex that make the cost of living higher in America. This is one factor which we must overcome when we get ships and commence to hire sailors. Americans in almost every wage-earning

department demand more money than foreigners. There is no way to estimate the efficiency of American shipbuilding labor as compared with English and German, but there seems to be a decided opinion among authorities that American labor efficiency in this line is not enough to offset the higher wages prevailing in this country.

3. The lack of standardization in shipbuilding is keenly felt. When the European yards are turning out several vessels of the same type they can figure on piece work with their labor, which becomes more efficient as it has successive practice on the same kind of work. Much of the boasted superiority of American workmen is because of this duplication of work, the working out of the economic law of the division of labor.

There was testimony before the Merchant Marine Commission to the effect that we build vessels for our inland waters more cheaply than ships of this same type were being built on the Tyne during the same period. But such statements must be taken with caution when we remember there is no sure test of comparison, because no foreign built ship can be purchased for our inland or coastwise trade. It would be rash to say just what would be the British bid for vessels of this type against American firms.

In the building of battleships our shipyards have shown themselves very efficient. The Merchant Marine Commission state that we have built and sold ships for foreign navies in competition with bids from England and Germany. The large demands for vessels for our own navy have built up a condition

of duplication closely approximating the conditions in the general shipbuilding industry in England or Germany.

The question often arises (which will be treated more fully in the next chapter), why do we want to revive a shipbuilding industry in this country when it is now suffering under all these disadvantages? One reason is that if a paying industry can be developed after it has overcome the initial disadvantage and inertia, it will add to the sum of the country's wealth. The criticism of this statement will be taken up more fully in a later chapter after we have considered the foreign experience with subsidies.

CHAPTER III

ENGLAND AND HER MERCHANT MARINE SINCE 1900

The students of the merchant marine problem have always turned eagerly to the mistress of the seas to discover, if possible, the secret of her great success as a shipbuilding and shipping power. Each year has seen a steady increase in England, both of the tonnage operating under the English flag and the tonnage of ships built in English shipyards.¹

The navigation laws of England are probably the most liberal in the world today. The coasting trade is not restricted as is the case in the United States, and vessels, no matter where built, are admitted to registry under the British flag.²

However, all ships receiving subsidies from the British government must fly the British flag and the Cunard contract of 1904 required that subsidized steam ships shall be built in the United Kingdom.³

Before entering into a discussion of the English subsidies, it will be well to note that England is an island with manufacturing and commercial interests so overshadowing agriculture, that she is compelled to depend almost absolutely on foreign sources

1. Foreign Trade of the United Kingdom		Home Trade of the United Kingdom	
1900	8,290,000 Tons	1900	848,160 Tons
1901	8,422,414	1904	866,878
1902	8,627,098	1906	889,812
1903	8,903,389	1907	940,138
1904	9,160,021		
1905	9,361,758		
1906	10,100,547		

Report-Commissioner of Navigation 1907 p 106-107

2. House Document Volume 48 #564 p 43.

3. *ibid.*

for food supply. Hence her supremacy on the seas is the only hope of her national salvation, and her liberal policy toward shipping from the earliest days of English history is partly explained by this necessity.

It would be interesting to go back to that early history and trace the rise of England through the navigation laws and fishery bounties; through the great period of her rivalry with American when the defeat of the latter was assured by the fall of the Collins Line; but we must leave this portion of our story to other writers.

The year 1900 saw England with a merchant fleet of 34,875 vessels whose tonnage was 10,751,392.¹ United States came next to England that year with a tonnage of 5,524,218.² German tonnage was 1,443,976 that year.³ Thus her nearest rival was far behind her, and the discrepancy is really much greater than the figures show, because only 900,000 tons under the American flag were engaged in the foreign trade while England had 8,200,000 tons. Germany was insignificant then as compared with England, and France, as we shall see later, was going backward.

In 1910 the tonnage of England was 19,012,294, United States, 7,568,082 and Germany, 4,333,186.⁴ The important thing to notice is the rise of Germany, and it is a matter of regret that we cannot go into their history along these lines. So from the standpoint of tonnage of ships, England is still supreme.

Let us now take up the subsidy system of England as it ex-

1. Report-Commissioner of Navigation 1901 p 471.

2. *ibid* p 9.

3. *ibid* p 486.

4. American Year Book 1911 p 524.

ists today.

1. In 1904 the British government passed a law making a yearly appropriation of 319,954 pounds (\$1,500,000) for pay and allowances to naval volunteers serving on merchant and fishing vessels. This appropriation was made for twenty years. These men, mixed with the merchant crews and doing duty as seamen and officers on the ships, afford a valuable nucleus for a warship crew if the vessel is converted for war purposes. This money is a subsidy in that the ships are getting the services of the men without paying for them.¹

2. The Cunard admiralty subvention under the twenty year contract, beginning in 1905, is fixed at \$729,000 a year.² For this the Cunard Company places all its vessels at the disposal of the government in time of war and agrees that all ships built by them shall be done upon plans drawn up or approved by the Admiralty Board of England.

3. The mail contracts are the most important item of the English subsidies.

These mail contracts have been granted for three purposes. (a) To secure faster and more frequent mail service with other countries, (b) to encourage the building of merchant vessels that may be of service in time of war, (c) to strengthen British shipping that it may meet the competition of its rivals more easily.³

The legislation of the early part of the decade is largely the result of the House of Commons Report on Steamship sub-

1. Johnson-Ocean and Inland Water Transportation, p 293.

2. Report-Commissioner of Navigation, 1902, p 66.

3. Johnson-Ocean and Inland Water Transportation, p 294.

sidies, printed in 1901. This was the period of agitation for subsidies in America and the attitude of England toward any aid to a merchant marine in the United States is indicated by questions 1918 and 1919 in this report.

1918, "Would it be very difficult to compete successfully having regard also to the preferential rates in America? Ans. It would be very difficult to compete.

1919, "Is not this law a very serious matter to British ship owners?"¹ Ans. The whole question of this subsidy is a very serious question to British ship owners."

In August, 1903 the Cunard subsidy bill was passed by the House of Commons by a vote of 92 to 18.

The first provision of note was that the Cunard Company should build two large steamships, having a speed of from twenty-four to twenty-five knots an hour to be run in its line between Liverpool and New York or between other ports in Great Britain and the United States.² These ships were to be built in England under plans approved by the Admiralty Board. In fact all ships built by the company must be built in England if they have a speed of seventeen knots or upwards. No charter party is allowed to be let out without notice to the admiralty, and provisions to protect British citizens against undue discriminations are made.³ Part of the crews, including the officers and engineers in charge of the watches, must be British subjects. Needless to say, these vessels must all be registered under the British flag.

On the two new vessels, pillars and mountings for guns were

1. Report-Select Committee on Steamship Subsidies, 1901, p 114.

2. Report-Commissioner of Navigation, 1902 p 225.

3. *ibid* p 227-229.

provided for in the contract. In return for all these provisions the company was to receive 150,000 pounds per annum as mentioned under (2) above.

The most peculiar feature, and incidentally showing how subtle may be the form that subsidies sometimes take, was the provision that the government should advance 2,600,000 at an interest rate of $2\frac{3}{4}$ per cent.¹ This amount covered the cost of the two ships and so capital for this increased value of the Cunard shipping was received at a lower rate of interest than they could have obtained otherwise. If we take the interest rate as $4\frac{3}{4}\%$ it is easy to figure that this indirect subsidy amounts to 52,000 a year.

The second part of the contract relates to the carriage of the mails, 68,000 pounds a year was provided for this; and advance of 14,000 pounds over the agreement of 1899?²

Some of the special resolutions of the Cunard Company, passed in 1903, show the attitude of the owners of the British merchant marine toward their government. Article two reads, "It is to be regarded as a cardinal principle of the company that it is to remain under British control and accordingly, (a) no foreigner shall be entitled to hold office as a director or be one of the principal officers of the company. (b) No share in the company shall be held in trust for, or be in any way under the control of any foreigner or foreign corporation or corporation under foreign control.

(b) of section two was put in to guard against the poss-

1. Report-Commissioner of Navigation 1903 p 229.

2. Report-Commissioner of Navigation 1903 p 234.

ibility of an amalgamation with the lately formed International Mercantile Marine Company which is controlled by American capital.

The Committee of the House of Commons on Subsidies said in 1901, "British policy has been to subsidize ships for postal or admiralty purposes only, and to exclude all considerations of trade interests"; but they also add "Even in the British case rapid postal communication has followed mainly the lines of great commercial traffic."¹ But while this is true, it is also true that fast mail communication has given a great stimulus to trade and paved the way for more frequent voyages of the unsubsidized merchant ships.

The principal lines in England which receive subsidies besides the Cunard Line are the Peninsular and Steam Navigation Company, the Orient Steam Navigation Company, the Canadian Pacific Railway Company, the Royal Mail Steam Packet Company, the British India Steam Navigation Company, and the Pacific Steam Navigation Company.² It has often been remarked that the combined tonnage of these subsidized companies is only an insignificant fraction of the total tonnage of the British merchant marine, so that, although it is an aid to have fast line, the great success of the British merchant marine is not due solely to it by any means. According to Royal Meeker, unsubsidized lines which run in competition with the above mentioned lines, pay, in some cases, higher dividends, showing either that subsidy leads to lax and inefficient management, or that other and special factors place subsidized lines at a disadvantage. The

1. Report-Commissioner of Navigation 1903, p 268.

2. Report-House of Commons Commission on Subsidies, 1901, p 290.

White Star Line is generally supposed to pay higher dividends¹ than the Cunard Line although the White Star Line gets no subsidy. The West India and Pacific Mail Steamship Company and the Royal Mail Company run over much the same route, yet the latter has earned five per cent dividends and the former twelve per cent.²

Still dividends are a poor basis to judge the prosperity of a company by and these isolated examples may not be fair. It is well known that profits instead of being paid out in dividends may be turned back into the business and reinvested. Such management is in many instances accounted better business than a sapping of the strength of a corporation by the paying out of profits to stockholders.

True it is that the English government has ever turned a sympathetic ear to appeals from the big mail lines for state help and it seemed the opinion of the committee in 1901 that the policy of subsidizing ships was a wise one, to insure competition when it was threatened.

It has been advocated that the relative shrinkage in the percentage of the world's commerce, carried by British vessels should be met by reserving the coastwise trade of the British Empire to ships flying the English flag, but this has not as yet been done.

England has viewed with alarm the large number of English shipping firms taken over by the International Mercantile Marine Company in 1902. Any of the ships having mail contracts with the English government are required to fly the English flag

1. Royal Meeker-Shipping Subsidies, p 39.

2. *ibid* p 41.

and remain under English registry. American financiers owned 672,000 tons under the English flag in 1900.¹ In 1907, 329,837 tons were transferred from the English to foreign control, while in the same year only 22,170 tons were transferred from foreign control to the English control.²

England today has many various items in her subsidy bill, which has increased steadily as the years have gone by, partly of course, because of the fact that services have increased, the pay for which is not differentiated from subsidy. In 1910 the items were as follows:³

Subsidies and mail pay	\$3,320,454
Cunard Admiralty	729,000
Royal Naval Reserves	1,783,620
Canadian Fisheries Bounties	160,000
Canadian Subsidies and Mail pay	1,581,800
Australian & New Zealand Subsidies	1,263,600
Cape Colony Subsidy	656,910
Jamaica Subsidy	194,000

In ship building today England easily leads the world. 792,000 tons were turned out in her shipyards in 1907.⁴ The standardization yards on the Tyne have been pointed to by American subsidy advocates as an example of what economies a healthy start may bring forth. However, these yards do not receive any government aid, while German yards and French yards do, yet the British shipyards are still supreme.

In conclusion then we may say that England is not following at present a very extensive subsidy policy if we consider that policy with relation to her whole merchant marine. The indications of the past would lead us to believe, however, that did American adopt a subsidy system, England would be prepared

1. Report-Commissioner of Navigation, 1900, p 34.

2. *ibid* 1908, p 105-104.

3. American Year Book, 1910, p 525-26.

4. Report-Commissioner of Navigation, 1908, p 103.

to meet us with increased rates if her supremacy on the sea was threatened.

CHAPTER IV.

FRANCE AND HER MERCHANT MARINE

The foes of subsidy triumphantly point to the experience of France to show us the shoals of national error into which we will fall if we attempt to build up a merchant marine through the stimulation of government aid.

We must go back to that father of French manufacturers, Colbert, to find the first working out of a protective system to upbuild a French merchant marine.¹ His system, copied after the system of the English Navigation Laws, existed with its many strict restrictions in slightly modified form until 1866, when Napoleon III, in the furtherance of his policies tending toward free trade, secured the passage of a law reducing the duty on foreign built ships, and admitting material for ship building free of duty,² but in 1872, following the economic policy of France, which was again tending toward protection, the French Republic attempted to inaugurate a system of discriminating duties in favor of French ships, but the threatened retaliation of all the leading commercial nations, including the United States, compelled a suspension of the policy before it had been in force eighteen months.³ The Legislature next busied itself with a formulation of a policy of subsidies, which found expression in the law of 1881.

Lack of space forbids our going into detail in the description of these earlier laws, the provisions of which are very interesting and curious, and afford in many instances some of the

1. Mahan-Influence of a Sea Power on History, p 105.

2. Viallates-How France Protects her Merchant Marine N. Amer. Rev.p 184.

3. House Document 59-1-Vol. 43-37.

most glaring examples of human folly and extravagance. The leading provisions of the Act of 1881 amounted to a division of subsidies into construction and navigation premiums, limited to ten years.¹ This construction subsidy was calculated on the basis of the duty on the same material used in ship building if imported. While ship building was stimulated to some extent, the approach of the close of the ten year period brought about an almost entire cessation of work in the ship-yards.²

So in 1893 the Legislature busied itself in formulating a new law. This cut off bounties to foreign built ships, and increased construction premiums, which were declared to be a compensation for the charges imposed on ship builders by the customs tariff; navigation bounties were declared to be a compensation for the burden imposed on the merchant marine as an instrument for recruiting the military marine.³ The most peculiar feature of the law, however, was the relative preference given to sailing vessels in the form of higher premiums, on the theory that a parity of competition ought to be maintained between steam and sailing craft, and because merchant sailing ships were regarded as the best school for seamen.⁴ There resulted the strange phenomenon of a steady increase in the sailing fleet, that class of ships which the advanced nations of the world were discarding, while on the other hand, the number of French steam ships remained stationary.⁵ It was during this per-

1. Bacon-Manual of Ship Subsidies, p 29.

2. Engineering 81-583-French Subsidies

3, Meeker, Wells. Our Merchant Marine, p 163 note.

4. Engineering, 81-588.

5. North American Review, p 184.

iod that the bounty scandals reached their height and sailing ships were traversing the ocean in ballast alone and earning large dividends from the bounty. The ship owners complained that the ship builders merely added the bounties to the cost of construction and pocketed the money¹

It was this mismanaged and unscientific state of affairs which was in existence at the opening of the period which we are now considering. The obvious defects of the law led to its supercession by another act further enlarging the bounty system. The Law of 1902 provided for three kinds of subsidies, (a) Compensation d' Armement paid to steam ships of foreign construction at the rate of ten cents for a minimum of two thousand tons to four cents, for four thousand to seven thousand tons per gross ton, total measurement, and per day of foreign trade under the French flag². (b) Prime à la navigation, paid to all French built ships at various rates per one thousand miles per ton gross measurement. There was no encouragement whatever for the building of steam ships over seven thousand tons or for sailing vessels of over one thousand tons. Thirty million dollars was appropriated to last twelve years³. (c) Prime à la construction for twelve years to cover ship building up to three hundred thousand tons gross of French built steamers and one hundred thousand tons gross of French built sailing vessels⁴, but the appropriation for the payment of the bounties, limited to guard against a too heavy burden on the national treasury was inadequate to cover the tonnage mentioned in the bill, and so to quote Professor Viallates: "To be sure of profiting by the ad-

1. Bacon- p 31.

2. Engineering 81:588.

3. ibid 589

4. ibid 589.

vantages of the law the ship owners hastened to order vessels and to place them on the stocks. Their haste increased when it was seen that there existed a considerable discrepancy between the allowed tonnage and the money appropriated. The appropriation of one hundred fifty million francs open to assure the payment of the navigation and the compensation for outfit was much too little. The rush was such as soon as this formidable mistake was discovered that less than nine months after its promulgation the useful effect of the law was completely exhausted."¹

The last law on the merchant marine was passed in 1906 and in considering it we shall take up the whole scheme of French subsidies in force at the present time.

The first class of bounties which we shall consider are the bounties on ship building under the Law of 1906. The French maintained construction bounties not only to equalize the custom duties effecting the material employed but also to give builders a compensation sufficient to enable them to concede to the French ship owners the same prices as foreign builders.² The rates are fixed on gross measurement; for iron and steel steam ships, one hundred forty-five francs per ton; for sailing ships, ninety-five francs per ton; these bounties to decrease annually by four francs and fifty centimes for steam ships and three francs ninety centimes for sailing ships, during the first ten years of the law's application, thereafter to stand at one hundred francs and sixty-five francs respectively; for engines and auxiliary apparatus twenty-seven francs fifty centimes per hundred kilograms.³ When a ship is enlarged with a view to increase its carrying capacity it is paid a subsidy on the number of tons it has been increased. The above figures are for ships with hulls of iron or steel; for wooden ships the amount is less. The subsidies are put at a high figure at first,

1. North American Review, p 184.

2. North American Review p 184 , 1907, Viallates.

3. Engineering 81-589.

especially on machinery,¹ but are to decrease during the first ten years presumedly on the old Infant industry theory. Seven tenths of the construction bounties are payable when the ship is registered in French service, or started on effective trading if not in French service. The balance is paid to ships under the French flag only, two tenths one year after date of register and one tenth the following year.² Thus the purpose of this part of the law will be seen to be not only to increase the French built ships in the French merchant marine but to give French shipyards a world market.

The third class of bounties which we shall consider are the navigation bounties and the provisions will be seen to have been made with a view of separating the ship builder from the ship owner, and thus, avoid the evil effects of the law of 1893. The navigation bounties to owners of French or foreign built ships under the French flag was calculated per day of actual running: for steam ships, four centimes per ton gross up to three thousand tons; three centimes more up to six thousand tons; two more for six thousand and above;³ for sailing ships three centimes per ton up to five hundred ton, two more up to one thousand and one more to one thousand and above.⁴ These grants depend on the miles made per day in relation to the ships' trial tests for speed; for instance, ninety miles a day for those which at their trials, obtained a speed of fourteen knots or over. For sailing ships the average run per day is to be thirty-five miles. The owners must certify that they have carried freight equal to one

1. Engineering 81-589.

2. *ibid.*

3. Bacon 35.

4. Engineering 589.

third their net tonnage at all times from the date of their leaving a French port to their return to a French port, and that freight has been carried over one third of the total distance run by the ship.¹ The minimum trial speed of all vessels receiving subsidies must be nine knots. The total cost of the French bounty system in the twenty-four years from its establishment, with the Law of 1881 to 1904 when the Law of 1902 had practically run out was in round numbers upward of three hundred eighty-one million francs. It is estimated that the new law of 1906 will absorb eighty-four million francs in seven years.²

We now come to the last form of subsidy in France, the postal subvention. The amounts paid to mail lines are nominally for services rendered in carrying the mails, and transporting government officials and state stores at a reduced price, but it is a well known fact that these amounts are far larger than amounts paid for like services in other countries, so we must agree with Royal Meeker that the greater part of the subventions undoubtedly go to the ship builders and are, therefore concealed subsidies. There is no competition in the letting of mail contracts which to to four steamship concerns.³ More than one half of the total steam tonnage of France is owned by these four subsidized lines; the Compagnie Generale Transatlantique, the Compagnie des Messageries Maritimes, the Chargeurs Reunis, and the Compagnie Fraissant.⁴ These subventions are both greater in amount and more influential upon ship building, navigation and commerce

1. Engineering 81-589.

2. Bacon-North American Review 1907, Vol. 184, p 35.

3. *ibid* p 36.

4. *ibid* p 36.

than are the general premiums upon ship building and navigation.¹ These mail lines run to New York, Quebec, St. Johns, Corsica, ports in the Mediterranean and Black Seas, Brazil, Indo-China, Japan, Australia, Africa and several British ports.² It is a notorious fact that the four lines do not compete with each other, but pool their rates and bids in advance.³ The amount paid in subsidies for this service will be given later. There is one peculiar subsidy under the guise of mail contracts which has been concluded during the period which we are considering and that is the Franch-Canadian subsidy Act 1904. This was let to two English and two French ships which were to run between ports in France and ports in the Dominion. The contract was for ten years, and the remuneration is \$100,000 to \$133,000 a year for eighteen voyages.⁴ Thus having in mind the general outlines of the system, it will be seen that the weakness of the present law is one which has been found in all the previous laws, namely that its operation extends over so limited a time (twelve years in this case), that not enough ships will be built in this time to receive subsidies which can be assured to the ship operators; this period should have been longer.⁵ Moreover, in spite of the obvious provisions, the subsidies have not enabled the ship builders to compete in the world market.⁶ However, the provision that engineering works will only benefit by the law if they do not have more than ten per cent of foreign workmen, is recognized to be a good one, and also the provision that ships under the new law

1. Meeker, p 67.

2. *ibid* p 68-70.

3. Bacon, p 36

4. Report-Commissioner of Nav. 1903, p 287.

5. Engineering 81, p 589.

6. *ibid* p 589.

can be built with a tonnage of over seven thousand and receive commensurate subsidy is a wise addition.¹

Having now in mind the general history of shipbuilding and shipping subsidies, the following statistics of construction of ships and tonnage will show a close relation to the varying provisions of the different subsidy laws. The last form of government aid which we shall consider is fishing bounty. The act now in force to aid fisheries was passed in 1890 and provides for an annual bounty of fourteen, thirty or forty francs per man employed on a fishing vessel, depending on kind and location of the fisheries aided. There is a bounty on importation and exportation of fish.

<u>Tons of Vessels Built in France</u> (Construction)				
	No.	Sail Tons	No.	Steam Tons
1890	18	6,896	12	15,083
1900	52	70,224	13	31,094
1902	86	107,845	15	48,974
1904	27	4,611	25	75,506
1906	7	1,069	26	32,299
1907	8	1,103	36	67,010

<u>Tonnage of France</u>					
	1850	1880	1900	1905	1906
Steam	13,925	277,759	527,551	711,027	727,047
Sail	674,228	641,539	510,175	676,193	487,458

Total tonnage in 1910, 1,882,280

The bill for subsidies in 1908 for France was made up as follows:

Navigation and Armament Bounties	\$6,079,500 ²
Mail Subsidies	5,217,037
Ship Building Bounties	2,007,200
Fisheries Bounties	120,000
	<u>13,423,737</u>

1. Engineering 81-589

2. American Year Book 1910, p 526.

When we compare this large sum with the \$9,000,000 spent by England with her tonnage of 19,012,294, we should expect as a matter of logic that France would be a formidable competitor but such is not the case. In 1910 her total tonnage was only 1,882,280.¹ Although the tonnage of France has been on the increase, the French subsidies have been on a relatively larger increase. Thirty years ago, when the infant ship building industry knocked timidly on the doors of the Legislative Halls for aid to enable itself to get firmly on its feet to compete with England, he would indeed been a rash prophet, who would have ventured to voice the prognostication that the infant's demands would have grown to their present proportion. Royal Meeker says that activity and efficiency in the shipyards have decreased, that subsidies have sapped the vitality and soul from French maritime enterprise and left it a giant infant industry whose weakness increases with age.² Although labor is cheaper in France by one half and the general expense of construction less than in England, English efficiency turns out far more units of work for the same wage than the French.³ However, great shipyards have been developed, capable of building the largest merchant steamers and armor clads and the naval reserve of merchant officers and seamen has been created.⁴ Consul General Skinner (U.S.) of Marseilles, says, "There is no doubt whatever but that the payment of subsidies has increased the number of French ships engaged in foreign trade."⁵

1. Bacon, p 36.

2. Meeker, p 84.

3. Engineering 81, p 589.

4. Senate Report # 10, 59th. Congress, 1st. Session.

5. *ibid.*

We must also remember that the French are not inherently a maritime people and their struggle for a share of a considerable portion of the traffic of the seas is met by the native aptitude of the English especially, who in the past, have signally defeated the French in many naval encounters.¹ Still the present French system can not be so iniquitous as some of its most virulent critics would have us believe, because Italy, with the same knowledge of the French experience has with a few improvements, adopted the same system. We may say in conclusion that the story of France, taking into consideration the inherent character of the people, making due allowances for faults in the framing of the laws, rather than in the general theory which underlie them and remembering the fact that Italy and Japan, the merchant marines of which countries are generally conceded to be in a prosperous condition, have adopted the same system, so far as essentials go; is not conclusive proof, but only strong evidence that subsidies are more a bane than a blessing to countries which are seeking a means to build up a merchant marine.

1. Wells, 164, House Document 48 #225.

CHAPTER V.

THE RISE OF JAPAN.

At the close of the Russo-Japanese War a new sun arose in the Orient to add its brilliance to the brilliance of the suns of other world powers. The astonished, and it must be confessed often, the troubled eyes of the great powers were fastened upon her. The great warship fleet of Admiral Rodjenvetsky had been utterly defeated. The glory of the victories of the island empire on land was equalled only by the deeds of her warships.

The beginnings of shipbuilding in Japan are almost as romantic and unreal as the thousand and one legends that are woven around almost every national institution of Japan. In 1854 the Russian ship Diana, lying at anchor in the port of Shimoda, was washed ashore by a vast tidal wave and demolished. The Russian captain, wishing to get his men back home as soon as practicable, decided to build new ships and hired Japanese workmen to aid in building them. These Japanese ship carpenters treasured the knowledge they acquired, and thus became acquainted with the western type. Many of these "foreign" models were built in the ensuing years.²

In 1870, responding to the repeated invitations of the emperor that any Japanese ship company which would establish communications with foreign countries would receive substantial aid from the government¹, the Kwaiso Kwaisha, (later the Japan Mail Steamship Company) was organized, and the ships

1. Meeker - 235

2. Engineering 86:199

of both these concerns aided the Japanese government materially in the Formosa Expedition of 1873. In 1886 an amalgamation of all vessels under the name of the Japan Mail Steamship Company was effected.¹

The subsidy to this firm was at first in the form of a guarantee of eight per cent dividends, but this was commuted in 1887 to a subsidy of 800,000 yen annually.² This enterprising company made show but sure progress, enlarging its trade from the coastwise traffic to the near foreign ports. In 1892 it had a line to Bombay and its vessels were making isolated trips to Australia and the United States.

On the conclusion of the Chinese War in 1894, when this line rendered the government efficient service, new bounties were granted it and its capital stock increased 22,000,000 yen (\$16,500,000).

The new 6,000 ton steamers were built, for the most part in the Clyde in England, though with a reserve of a sufficient number for Japanese construction to develop and advance the art of shipbuilding at home.

During the Russo-Japanese War the vessels of this line were converted into auxiliaries for the navy, where they gave excellent service and contributed in no small degree to the wonderful victories of the new sea power.³ In recent years

1. Engineering 200

2. *ibid* 200

3. *ibid* 86:199

the new ships have all been built at home¹.

Another company is Asaha K. K. Company, established in 1884. Until 1907 it maintained a line of steamers on the Yangtse River in China, but after the war these were not replaced. The chief interest for us in the fact that in 1908 the keels of six 6,000 ton steamers for the American trade were laid in Japanese shipyards by order of this company. It has always received government bounties and these new ships will furnish regular freight connection from San Francisco to Japan.²

The Oriental Steamship Company, another Japanese corporation, is now building ten 13,500 ton, nineteen knot steamers for the Hong Kong, Yokahama and San Francisco run. These are vessels of the most modern type, equipped with Persian turbines and built for the most rapid conversion for war uses.

One of the most notable tendencies in recent years is the heroic effort made by this astonishing people to start the shipbuilding industry at home. The problem would be enough to appal most people. There is little coal and few iron mines in Japan. But in 1901 a government foundry was started in one of the small southern islands where coal

1. For convenience only the initials of the names of ships will be given. Since 1905 the the H. M., 6715 tons for European service. N. M. 5539 tons for Australian service. T. M. 7463 tons for American service six ships in 1908-1910, 8770 tons each for general trading purposes. Engineering 86:199

2. *ibid* 203.

and iron were found together. Other deposits have been worked up since then and in 1908 the Imperial shipyards at Yahosura got all their steel plate and channels at home. In the northern part of the island in 1909 and 1910 American capital is working up a steel business from natural deposits and the Japanese are hopeful that this problem will be met in time.

The interior of the islands is heavily wooded, so that timber is plentiful and cheap for their shipbuilders. In 1906 there were two hundred fourteen private shipyards¹, which were engaged mostly in building small crafts. It has only been since 1900 that the Japanese have tackled the problem of steel shipbuilding, but even under the disadvantage of importing most of their steel and most of their machinery from abroad, coupled with their lack of technical knowledge in this line, they have forged ahead. Following the Shipbuilding Encouragement Act of 1896 the output has grown steadily with an amazing adaptability to foreign methods. In 1907 the launchings from private shipyards amounted to 73,000 tons.²

But these improvements and advances have all received the hearty co-operation of the government. The first law

1. Engineering 86:234

2. Launchings for private shipyards. Engineering 86:234

1900	10,763 tons
1903	24,769 tons
1905	32,858 tons
1906	44,452 tons
1907	73,632 tons

to aid the building and owning of ships in the "foreign style" was passed in 1870. The law at present in force was passed in 1896 and expires in 1914. Twenty-five yen per gross ton is paid to ships under the Japanese flag engaged in the foreign trade. They must have a tonnage of 1,000 or over and a speed of ten knots or better. The payments vary with the size and speed, reaching a maximum of sixty yen for ships of 6,000 tons and seventeen knots speed. When steamers get old the amount is reduced.

For competition with foreign companies special mail subsidies are given. Thus strong European, Seattle, San Francisco and Australian lines have been firmly established as indicated before.

In relation to shipbuilding there is a subsidy for both hull and machinery. All ships receiving subsidies must be built as models approved by the Japanese Marine Bureau. But aside from subsidies Japan has a wonderful advantage over, not only the United States but also over England as well, in the cheapness of their labor.

The average wages of the ordinary American seaman run around \$30 a month. The average wage on a Japanese liner is \$10 a month. At first the Japanese had American and British officers and largely a foreign crew, but the native Japanese soon picked up the trade and, as a general rule today, the officers and crews are overwhelmingly Japanese. They have no fights with labor unions and Chinese coolies can stoke furnaces far more cheaply than white men.

There are 57,000,000 acres of timber in Japan which sells more cheaply than in this country. The labor to cut this timber up can be hired for \$19 to \$90 a year, less than what slave labor cost before the Civil War¹. Labor in general can be hired for thirty-two cents a day, while we pay our skilled artisans in our shipyards \$4 a day. The Japanese labor is getting more efficient every day as it uses the tools and methods of the West.

In addition to these natural advantages, as has been repeatedly pointed out, all departments of the Merchant Marine receive subsidies. The result is that where the American Pacific Mail line, or the British Oriental and Occidental line can barely make profits, the Japanese companies pay handsome dividends.

The price of the stocks of the two companies may be some indication of this. The Pacific Mail stock in 1907 sold at 47½. The Japanese Mail Steamship Company stock sold at 300 or better in the Bourse at Tokyo².

E. S. Bogart says that it is only a question of time until the Pacific Mail Steamship Company will be compelled to transfer its vessels to the Japanese flag.³

There is one more factor that points to a greater representation of Japan on the seas in the future, and that is the enthusiasm with which the people support the Merchant Marine policies and industries. There is a three years

1. Foreign Resources of the World-Zan. p 30.

2. Engineering 86:235

3. World's Work 17:10940

course in the Imperial University of Tokyo in mercantile shipbuilding. In 1908 there were one hundred fifteen students in this course, studying foreign methods and models, and fitting themselves to be foremen and managers of the great shipyards. In the many technical schools of Japan special emphasis is being laid on shipbuilding.¹

The one question that is puzzling is why subsidies should be longer demanded with all the natural resources of Japan. For 1910 the total was made up as follows:

Mail subsidies	\$4,379,000 ²
Shipbuilding bounties	997,000
Fisheries bounties	37,000

One reason is doubtless that Japanese workmen have not yet become efficient and accustomed to foreign methods, and then there is the initial cost in the installation of new lines, and the making of new speed records for the mail ships. Students of the subsidy question will be keenly interested to see whether or not this amount will decrease in the years to come.

At present Japan seems to have a brilliant future before her on the sea. It has been only in twelve years that she has arisen from a nation of a few junks to a world power with a Merchant Marine whose darkening shadow bids fair to sweep the American flag from the Pacific. If the intense national enthusiasm does not decline, Japan seems certain to take her place with the world powers so far as her Merchant Marine is concerned.

1. Engineering 86:199

2. American Year Book 1910 p 525.

CHAPTER VI

METHODS OF UPBUILDING OUR MERCHANT MARINE

So far, we have carried the history of American shipbuilding and shipping up to the present time, then we have looked over the situation in England, Japan and France, and have considered briefly, some of the aspects of government aid by which these countries have stimulated the upbuilding, or the maintenance of their merchant marine. Let us now come back to our own country and consider some of the methods which have been proposed in order to rehabilitate the American merchant marine. We shall take up the discussion under three main headings;

- (a) Subsidy, or direct money aid to shipbuilding and shipping.
- (b) Discriminating duties, or the imposition of higher duties upon goods imported in foreign ships than upon goods imported in American ships.¹
- (c) Free ships, or the purchase of ships abroad to be run under the American flag.

Various modifications, which will necessarily include the intermingling of the three methods will be taken up in connection with the one whose character is the most distinctive of the whole scheme.

We might in this country encourage shipbuilding by direct bounties as it is done in France, and at the same time, by a repeal of our navigation laws, admit foreign ships to American registry, thus forcing our shipbuilders to compete with the builders of Europe. But such a course is rather undesirable and unnecessary, when all that we have to do is simply to leave alone our navigation laws and pay a sufficient subsidy to the shipping interests, which would cover not only the cost of oper-

1. Bates-American Economist, 39-176.

ation, but also the increased cost of shipbuilding in this country as compared with Europe. The French system of direct bounties for construction has not been advocated in any bills placed before the Congress of the United States. This is probably due to the stronger popular feeling against shipbuilding interests which have shown a tendency to become monopolistic, than against ship owning interests, which are compelled by their very nature to cope with international competition.

Another form of subsidy which has been suggested is a direct bounty of a fixed sum per ton, to all vessels built in America which will be run in the foreign trade for a certain number of days a year. This, as will be remembered, was part of the law introduced in 1901 by Senator Fry.¹ It was copied, in principle at least, from the French system.¹ The great objection to this plan is its large cost, for though the bill contemplated only the expenditure of something like nine million dollars a year, Mr. Bates, after careful estimates had been made by him, decided that like the French law of 1902, this sum was entirely inadequate to build any substantial addition to our merchant marine, and that \$40,000,000 would come nearer the cost at the end of the third or fourth year.² We are confronted in the United States with the situation, that it costs from twenty-five to forty per cent more to build the ordinary tramp steamer in the United States than in England, and that to build up a real merchant marine the difference in the cost to overcome, under the present economic conditions of the country, will be larger than even the most optimistic advo-

1. Bacon p 87.

2. Bates, American Navigation, p 389.

cate of subsidies has dared to speak.

There are other advocates of subsidies who would discard the idea of granting any direct government aid to the tramp and ordinary steamers, and would confine the subsidy to an extension of the act of 1891 alone. Such in fact, was the law before Congress in 1908 and 1909.¹ It is believed that if we can establish a number of regular lines to South America and the Orient, and can build up a demand for American manufactures in these places, that the natural demand for shipping to carry this commerce will lead American capital to undertake the enterprise unaided by the government. Some supporters of government aid have ingeniously suggested that we can pay subsidies out of the six million dollars a year profits which the government makes from the transport of foreign mail. This policy they say, will cost us nothing, but of course the fallacy lies in the fact that if you take away profits that would ordinarily go into the treasury of the government you are really paying directly out of the treasury that amount in subsidy. So much then for direct and pure subsidy.

Other writers, amongst them, Mr. W. W. Bates, seem to be afraid of the idea of giving the government money to the shipping interests, and they offer as a substitute the plan of discriminating duties. One statement of Mr. Bates should be challenged at the outset. He says "(that the adoption of discriminating duties) will thus build up a merchant marine without the cost of a single cent to the government or to the people of the United States."² According to his definition

1. Bacon, p 87.

2. Senate Document, 60th. Congress, Vol. 8, p 85.

goods imported in American ships will pay a less duty than goods imported in foreign ships. That means, either that the revenue of the government will be depleted by a sum equal to the duties, or that the people of the United States will pay all additional duty on goods brought in in foreign ships. For in any event it is understood that the people of the United States will not benefit by this arrangement. There are three factors, the shipowners, the tariff and the domestic production. If the tariff is raised or lowered to provide for the discriminating duties, and domestic production goes at a lower price than that fixed by the tariff, the merchant marine will not be able to earn any duties because the people of the United States will buy at home, while if the price fixed by domestic production is the same as the tariff price, the people are still paying for the discriminating duty which goes to the shipowners. Is not this then only another means of subsidy, possessing possibly the virtue that it is indirect, and will not be noticed by the people so readily? Yet after all it must provide the same amount of money as will be necessary to overcome the increased cost of shipbuilding and operating under the American flag. As Lyman Abbot says "taxes must come out of the public pocket", and the plan of Mr. Bates is only the plan for an indirect tax.

But it is urged such a plan is more easy of application, than a plan of subsidies, and affords a relief from the fear of corruption which has tainted the history of shipping in the past. It is urged that ships will have to automatically, by ceaseless energy and competition earn the aid which they gain

from the government. But this is only one phase of the question. In 1828 we concluded forty-six commercial treaties with the leading nations of the world and one clause of every one of those treaties provided that there should be no discrimination in the way of duties against the ships of the powers with whom we were treating. Thirty-two of those treaties are in effect today, and every one of them must be abrogated before this system could be adopted. Notice of this would have to be given a year in advance and it is doubtful if the return benefits which we receive at the present time under them could be secured under new treaties leaving out the reciprocity clause.¹ The experience of France in 1872, when she adopted discriminating duties, is particularly in point. It will be remembered that President Grant in connection with the other world powers immediately commenced a series of retaliations which led to the repeal in less than eighteen months of discriminating duties and the commitment of France definitely to the subsidy system.² Mr. Bates speaks very lightly of these treaties, and still maintains that we are sacrificing more by enduring the present treaties than we would by their abrogation. Much reliance is placed by him upon the fact that previous to 1810 preferential duties were in vogue in this country, and that under them our merchant marine increased at a marvelous rate.³ But, as has been pointed out the European wars of that period had almost stifled commerce and the American merchant marine only met a great natural demand that was willing to pay high prices for the carriage of goods.⁴

1. Senate Document, 60th. Congress, p 78

2. *ibid*

3. Bates, *Amer. Nav.* p 442.

p 79

4. *Scien. Amer.* 1911, p 427

Moreover in this period there was no high protective tariff wall to make labor and shipbuilding materials high.¹ But aside from the objection from the standpoint of reasons of state the law itself would be most unequal in application, and would fail to build up a commerce with those countries which we are most anxious to reach. The foundation of this whole system is the protective tariff, and yet one half of the imports of American today are on the free list.² This statement becomes more formidable when we consider the imports from South America, the country with which we are most anxious to secure more adequate communication. Seventy-five per cent of our imports from this continent³, or to make it more startling, ninety-eight per cent of the imports from Brazil are on the free list⁴ and the adoption of the plan of discrimination duties would mean a revision of the tariff upwards to place a tariff on these raw materials in order that this scheme might work. As the situation is at present, the shipping interests, to receive the largest benefits would have to seek for cargoes from the manufactured products of England and Germany, which would be contrary to the whole industrial theory of our government. At the present time we are seeking to export our manufactures, yet to the European nations we could only carry such raw materials as copper, cotton, wheat, and corn. Moreover it will be seen that no advantage will accrue to a ship in making a long voyage; that the ship which brings a cargo of tropical goods from the Bahamas will receive exactly the same

1. Noble-Scien. Amer., 1911, p 429.

2. Senate Document, 60th. Cong. p 68.

3. Arena, 1906 p 10.

4. Senate Document, 1907, Vol. 8, p 69.

amount as a ship which brings the same cargo from South America. The ship owners then will have every inducement to make many short voyages, while our trade with the Orient will be the last consideration with them.

Some have urged a preferential rate on goods exported from the United States, but this vague phrase means that we must first have export duties, which are unconstitutional.

So we see in the last analysis that discriminating duties will cost almost the same amount of money as a direct subsidy with the additional disadvantage that it entails many cumbersome features which will tend to defeat some of the prime purposes for which a rehabilitation of our merchant marine has been urged.

We now come to the third division of the remedies proposed to upbuild the American merchant marine, namely free ships. To repeal our century old registry laws and allow shipowners to buy or build at low prices abroad the ships needed for our commerce, seems at first glance an easy and inexpensive way of securing a large mercantile marine.¹ We shall discuss this proposition first from the standpoint of ships for our foreign trade only, leaving the restriction on the coastwise trade as it now is. The first objection that comes to mind is that which is pointed out in an earlier chapter; that a shipowner could not use his vessel in the coastwise trade when foreign trade was slack, and so his business would be enveloped in a great uncertainty.

Other objections will be noted under the premise that we should adopt the policy of free ships for all our trade, foreign

1. Senate Document 1907 Vol. 8 p 84.

and coastwise. One of the first things that would be apparent is that there are no provisions to meet or offset the effect of foreign subsidies. A large part of this thesis has been devoted to the discussion of subsidies paid by practically all maritime nations of the world today. It will be seen then that there must be the greatest economy in the operation of our ships to offset the aid given to foreign vessels, but when we turn to an analysis of this question we are confronted at once with the higher standard of living which Americans maintain as compared with foreign workmen in general.

And this is not confined to industries on the land alone. For the last eight years the reports of the commissioners of navigation have contained estimates of the wages paid seamen in American vessels, as compared with the wages paid seamen on foreign vessels, especially the English, and in every case it is seen that American wages are from fifteen to forty per cent higher.¹ The wages in American shipyards, and we must remember that labor costs are about half the cost of constructing ships, are from fifteen to forty per cent higher than in English shipyards.² Moreover the American navigation laws provide for roomier quarters, and the food served on an American vessel must be a better quality than that served on foreign vessels.³ Thus it will be seen that we can look for no economy in the cost of operation to offset the foreign subsidy. It may be urged that we could repeal all parts of the navigation laws relating to decent provisions, to housing and feeding crews, that we could adopt foreign crews and foreign standards

1. Senate Document 1908 Vol. 8

2. *ibid*

3. Navigation Laws of United States, 1908, p 91 R. S. 4612.

of living. But in this case it is plain to see that we would be getting, not an American merchant marine, but a foreign merchant marine flying the stars and stripes. Even then there is no assurance that our flag would be seen upon the sea, for other countries would attract such ships by their subsidies which do not figure in any pure free ship policy. In fact such has really been the experience in this country. In 1908 the International Mercantile Marine transferred three of their ships to the Belgium flag, partly in order to get Belgium subsidies and partly to take advantage of Belgium standards of living.

So we can see that free ships is indeed a plan which costs nothing, but it is also a plan which there is every reason to believe will give us nothing. The Merchant Marine Commission reviewed the shipping policies of all the leading maritime nations of the world, and the following are some of the significant generalizations that they drew from such comparisons:

"To sum up therefore, it may be said that all the maritime nations of the world have tried "free ships" in the past, and, disappointed with the results of their expedient alone, have now all turned to some form or degree of subsidy, bounty, or subvention."¹

"This question was submitted to nearly all the experienced shipowners of this country (U.S.), "Do you desire 'free ships?'" With only one or two exceptions, these practical men replied

1. House Document Vol. 49 p 43.

emphatically that they did not desire free ships . . . that free ships would, if adopted, prove a delusion and would be of no benefit whatever toward the real development of an ocean fleet in the United States."¹

"Free ships are not only discredited by the experience of the world, but are overwhelmingly opposed by the trained judgment of American shipowners."²

"It is only pottering with a great and vital question to plead that a ^{free} ship policy will of itself enable American shipowners to meet the conditions with which they are confronted in the Pacific and Atlantic Oceans."³

"History contains no record of any nation which has become permanently great which bought or borrowed its ships from a rival."⁴

This compromise might be suggested, that our navigation laws should be so modified as to permit the shipping interests to buy their ships where they could get them the cheapest and pay them a subsidy to operate. Such a policy as any policy of free ships would undoubtedly mean the utter ruin of our shipyards, which have turned out in the past the 25,740 vessels of 7,500,000 tons, flying the American flag today. This would mean also that there would be no repairing facilities to maintain such a merchant marine, and the merchant marine built up under such a system would be of practically no use in foreign war when foreign shipyards would be closed to us.

To sum up, therefore, it appears that under present con-

1. House Document Vol. 49 p 44.

2. *ibid* p 45.

3. *Marvin-Atlantic Monthly* Vol. 104, p 439.

4. *ibid* p 440.

ditions, there must be an expenditure of money somewhere, if we are to restore our flag to the seas, that a costless system would be a system barren of results, and so we come back to the old question; do we need a merchant marine badly enough to warrant the expenditure of money necessary to rehabilitate it. Before attempting to answer this question, let us briefly glance at the economic condition in the countries we have discussed, so far as they relate to a merchant marine.

CHAPTER VII.

ECONOMIC SITUATION IN UNITED STATES, ENGLAND,
FRANCE AND JAPAN IN RELATION TO THE MERCHANT MARINE.

After wandering through this bewildering maze of expedients which were proposed to build up our lost prestige on the seas, after tracing through the ramifications of laws which have succeeded each other with a rapidity that tells the same old story of legislative mistake, we ask, what are the great underlying bases upon which the maritime prosperity of a nation depend? What bed rock foundation must a country have to hope to build permanently for the future along the lines of merchant shipping?

Professor Johnson says that success in building and operating ships depends upon four conditions: geographic, economic, political and psychological. His able review of the situation in the United States so far as these factors go is the best summary that I have been able to find.¹ However, I do not arrive at the same conclusion after a careful consideration of the evidence.

So far as a geographic basis for building ships is concerned, the United States seems well fitted for the task. The water frontage along the great lakes, the Atlantic, the Gulf and the Pacific is 7,300 miles, and the harbors are situated at the maritime centers of commercial activities.² Moreover, these harbors are, for the most part, natural, and arti-

1. Johnson, p 311.

2. Johnson, p 312.

ficial harbors have been, or are being constructed where needed without difficulty.¹ The coal and iron for use in shipbuilding are, taking into consideration the reduced rate of rail transportation in the United States, close to the Delaware, Chesapeake and Lake shipyards. The harbors at these shipyards are deep enough to be used without dredging.

The insularity of England coupled with its many harbors, some natural, others artificial, the remarkable facilities for shipbuilding on the Tyne in Scotland, facilities which have been enhanced by artificial works and dredging, makes it an ideal place geographically speaking when we remember that coal and iron are found in abundance at Newcastle and in North England close to the seat of shipbuilding operations.

France on the other hand, although she has good harbors, does not possess so many as England. But a greater disadvantage is the fact that France does not have coal and iron mines to any extent and such mines as there are do not lie in close proximity to the shipyards.

Japan, like England, is an insular nation made up of many islands instead of one. There are large numbers of harbors and the indefatigable labors of the Japanese aided by American capital are opening up iron and coal mines in the northern part of the island. If these mines lead to the foundation of a good iron and steel industry Japan may fairly be said to be well fitted geographically to become a successful shipping nation.

And now passing to economic conditions in the four coun-

1. Johnson, 313.

tries, it will be seen that so far as the United States is concerned, we are led to believe by Professor Johnson that there are few hindrances in the way of developing the shipbuilding industry. At present the labor cost, which has been referred to in former chapters makes it almost impossible to compete with England. Capital is abundant¹ and when the output is increased and specialization and division of labor can be carried further than at present this factor may be overcome as it has been overcome in other industries. Tariff restraints must be removed from all materials used in shipbuilding, even for ships in the coastwise trade in order that our shipbuilders may not suffer under a double handicap.

But I can not agree with Professor Johnson that the higher of operation of American ships due to higher standards of living will be met by an equalization of social and other conditions on all ships of all nations. To say the least such equalization is not a matter of the near future, and if a subsidy were given at the present time as he advocates the chance of such equalization coming about would be made more remote because the better standard of living would be insisted upon as part of our national policy.

In England, a free trade country which can take advantage of the lowest prices in the competitive market, the economic conditions are well suited for shipbuilding. Her shipyards are standardized and except for the dangerous tendency toward the restriction of output by the labor unions, she is by natural conditions fitted to be the ideal shipbuilding

1. Johnson, p 316.

nation. The wages paid English crews are somewhat higher than the wages paid other crews outside of the United States, but the low class laborers such as stokers etc. are often Norwegians and other low priced laborers. The lines to the Orient have Chinese and Japanese laborers in goodly proportion. The advantage of an early start in the modern methods of shipbuilding and shipping is a great one.

France is like the United States, a country surrounded by a high tariff wall. Raw materials as well as manufactured articles are taxed almost indiscriminately. A bounty is an absolute essential in order to overcome the effect of tariff. But the French suffer under the additional disadvantage that the French workmen are not nearly so efficient as the English or Americans.¹ The French like the English get much of their cheaper labor from the low class labor of other countries. Additional disadvantages which might be classed as economic will be discussed under the psychological basis.

Japan seems to be a poor country economically for the construction of ships. But she has two valuable assets, cheap labor and an abundance of forests. We have spoken of the iron and steel there. The labor on board ship is nearly all Japanese now and these people with their simple and frugal diet can live on a small fraction of what an American or European would starve on. The shipyards are becoming standardized and they are building more and more ships at home. Her fisheries employ 500,000 people, who make good seamen and afford a ready recruiting ground for the merchant marine.

1. W. L. George, France in the 20th. Century, 179-199.

Now turning to the political situation the United States seems to have a firmer political basis for the development of a merchant marine than ever before in her history. Sectional animosity and bitterness have almost died out; if there is sectionalism today on this question it is between the agricultural middle western and the seaboard states. We are no longer a purely agricultural, but are becoming more and more a manufacturing nation. Our manufactures are seeking international markets. We have acquired insular possessions in the Pacific and Atlantic, and there is strong evidence just at present that the acquisition of Cuba is not impossible. Moreover, by the Monroe Doctrine we have assumed a semi-protectorate over the South American states, and as pointed out before, ready communication is a strong bond of union and amity. The building of the Panama Canal will accentuate our responsibility and our opportunity. Our political ideals have become international, and in consequence we are settling quarrels for European nations. These political conditions are all most strongly conducive to the imperative demand for a larger tonnage of merchant shipping.

The political reasons for a merchant marine in the United States apply with even more force to England. On her empire the sun never sets. Islands, peninsulas, and continents form part of her dominions, and a merchant marine is not a matter of choice, but of necessity. Her insularity and overwhelmingly preponderant industrialization make food supplies from abroad imperative. London is the commercial center of

the world. England has every reason then to encourage a merchant marine for political purposes.

France does not possess so many nor so large colonies as England, but in both these points she ranks ahead of the United States. Still she has not assumed the political responsibility which the United States has assumed under the Monroe Doctrine. France is ambitious to hold her place with the world powers and so she encourages shipping. She is partly a manufacturing nation and must trade her manufactures for raw materials and some food stuffs.

Japan as yet has not established many colonies, but her occupation of Korea, and the character of her preparations for aggression or defense is strong evidence that she contemplates assuming a more predominant position in oriental affairs. The insular character of her empire makes coast-wise communication necessary. She is becoming more and more an industrial nation and food stuffs and raw material will probably have to come largely from abroad in the future. Her people are ambitious to make Japan a first rate power, commercially as well as politically, and they are turning to a development of a merchant marine for this purpose.

The last factor to consider is the psychological basis for the development of a merchant marine. I can not agree with Professor Johnson that our people feel the call of the briny deep as did our forefathers. He says the same blood courses in the veins of the modern American as coursed in the veins of our forefathers, but I submit that the comforts of the higher

standard of living have, so to speak, corrupted that blood to the extent that the glamour, mingled with the hardships of a seaman's life do not attract our people as a whole so much as other industrial pursuits. The economic influence of a half century of development on land in its effect on the traits of character of the people is not easy to overcome. So psychologically we may say that on the whole it may be better to wait for some time and see if our people will adapt themselves to a return to the sea.

On the other hand the English have always taken to a seafaring life in the coast districts. There has been no movement away from the sea in England as in the United States. The traditions of seafaring fathers are treasured in the minds of their seafaring sons, who are following the lure of the sea today.

The psychological problem is hardest for the French. Their people, with the exception of the inhabitants of Bretagne and Normandy are not, nor have they ever been a maritime people. Writers have often overlooked this fact, and have ascribed all the evils which have befallen the French merchant marine to subsidy, forgetting that the settled habits and traditions of the people do not fit them for the task.

Had Japan been blessed with an earlier start I should say that she has a stronger psychological basis than any other of the nations. Her people are not so hardy, but they are intensely interested and sympathetic with anything that will aid the national weal. Her people are adaptive, as their marve-

lous rise on the sea shows. If this attitude doesnot change Japan should have a great future.

In treating these topics space has forbidden that I should go into great detail, and I may have omitted facts which will appear to some to have been more important than those included. I have tried to pick out those factors which lume up largest in their bearing on the question. To summarize it may be convenient to group the nations in their order under each of the headings we have discussed.

<u>Geographical</u>	<u>Economic</u>	<u>Political</u>	<u>Psychological</u>
United States	England	England	Japan
England	United States	Japan	or England
Japan	France	United States	United States
France	Japan	France	or France

If this summary is correct we may be better able to appreciate our former statement that the experience of France with subsidies is only evidence and not conclusive proof that subsidies cost more than they are worth.

Now that we are nearing the close of this discussion the reader may realize the hazzard of attempting to draw conclusions from this mass of complex and conflicting evidence. But on the whole, I think we must agree that we must always say,"other conditions remaining the same", when we discuss the use of subsidies to build up our merchant marine.

If the shipbuilding industry is established as advocates of subsidy say it would be,,it will add another large industry to competing industries in Germany, England France and Japan.

There must be an increased commerce to support the influx of new vessels or the shipbuilding industry of these other countries must decline. It does not do to say that we will ship the goods which now pay \$200,000,000 a year freight charges to foreigners, on American ships, for the foreign ship owners will not sit idly by and see their ships freightless without reducing rates and entering on a war, which a new merchant marine, build up under the heavy costs of a new industry would be ill able to bear.

Protective tariff in this country should have taught us a lesson to be cautious with appeals for infant industries. France has shown us how a bounty may make an industry feeble instead of strong. The people of this country remember the scandals of the promotion of the unsuccessful United States Shipbuilding Company, and when many of these same shipbuilders ask for a restoration of our flag to the seas, the people may justly be suspicious of their motives.

After all it may be the wisest course to wait until the law of diminishing returns brings down the profits on capital to the level of profits abroad, and when the demand for shipping is strong enough, let American capital undertake the risks and build up our shipping industry naturally. Congress may aid by admitting shipbuilding materials free of duty, but the experience of history is not encouraging on the subject of bounties.

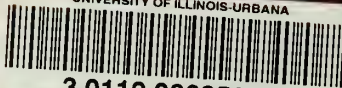
America is proud today of her development, of the fact that she stands first in many things, and it may be galling

to some of our people to think that other nations surpass us in the shipping of the seas. But we can not be first in everything, and until some more real and vital reason for the rehabilitation of the American merchant marine appears, we should go slowly in the advancement of government aid.





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